

Congress of the United States
Washington, D.C. 20515

August 29, 2022

Mr. Dusty Wunderlich
Chief Executive Officer
Credova Financial, LLC
515 W. Aspen St., Ste. 200C
Bozeman, MT 59715

Dear Mr. Wunderlich:

We are writing to express our strong concerns and to seek information regarding the provision and marketing of Buy Now, Pay Later (BNPL) financing by Credova Financial, LLC to facilitate the online purchase of firearms, ammunition, and related accessories. Amid more than 100 daily gun-related deaths and recurrent mass shootings nationwide, the U.S. continues to endure a devastating gun violence epidemic that we believe could be exacerbated by this concerning business practice.

As you know, BNPL is a point-of-sale loan product allowing consumers to purchase and immediately take possession of an item after agreeing to pay the purchase price over a fixed period of time. Considering that BNPL often entails only a soft credit pull and routinely offers short-term, interest-free financing, this payment option has become widely popular with younger consumers – especially those with minimal disposable income and little or no credit histories – though it has been criticized for encouraging consumers to make purchases they cannot afford.¹ The majority of BNPL users consists of Millennials and Generation Z consumers.² Additionally, BNPL customers tend to be consumers who earn modest incomes and people of color.³

While other major BNPL providers explicitly prohibit firearm purchases, Credova has apparently sought to partner with gun merchants to aggressively advertise its BNPL product as a payment option for gun purchases, increasing the apparent affordability of firearms to consumers. It is our understanding that Credova currently partners with nearly 70 gun merchants to offer BNPL for firearm purchases – including a popular “pay in 4” installment plan that is

¹ For example, see Deepthi Nair, [Is the buy-now-pay-later model a win for consumers or a potential debt trap?](#) The National News (Oct. 5, 2021).

² *BNPL Provides Flexibility and Buying Power to Younger Consumers*, PYMNTS.com (Mar.1, 2022) (online at <https://www.pymnts.com/bnpl/2022/pymnts-intelligence-bnpl-provides-flexibility-and-buying-power-to-younger-consumers/>).

³ *Buy Now, Pay Later: Survey Evidence of Consumer Adoption and Attitudes*, Federal Reserve Bank of Philadelphia, 6, (Jun.17, 2022) (online at <https://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/discussion-papers/dp22-02.pdf>).

touted as “interest-free,” requires consumers to make a total of four installment payments due every two weeks, and offers up to \$5,000 in financing.⁴

Among Credova’s retail partners are online gun merchants grabagun.com, guns.com, and danieldefense.com – each offering a wide selection of handguns, shotguns, and military-style assault rifles. These merchant websites prominently highlight the convenience and benefits associated with Credova BNPL, including “Approval in Seconds,” “no impact to your credit score,” “\$0 down,” and “3 Months Interest Free.”⁵ They also market Credova’s services using dangerous terminology. As advertised by grabagun.com, a consumer can select Credova financing in order to “Shoot Now, Pay Later.”⁶ Similarly, guns.com proclaims that consumers can “Get Protected Now, Pay Later” in order to finance their “dream gun.”⁷ The danieldefense.com website appropriates Credova’s own marketing slogan to advertise that consumers can “Adventure Now, Pay Later.”⁸

Unsurprisingly, Credova is also actively partnering with the National Rifle Association – a firearms advocacy organization that rigidly opposes any gun control legislation, even the *Bipartisan Safer Communities Act*, the bipartisan legislation enacted in June to implement commonsense gun safety measures in the wake of tragic mass shootings in Buffalo, New York, Uvalde, Texas, and other cities. In April 2019, Credova sponsored a luncheon for NRA corporate executives. In connection with the event, Credova announced that it “is determined to provide financing options for firearm and sporting goods consumers through the development of strategic partnerships with retailers and industry leaders across the nation.”⁹ In 2020, Credova also participated in the “Partners for Patriotism” campaign launched by the NRA Institute for Legislative Action – pledging to match \$1 million in donations made to the organization.¹⁰

According to market research firm IBISWorld, online gun sales are expected to increase from \$532 million in 2012 to \$2.6 billion by 2026.¹¹ This has increased public safety concerns about online gun sales and the marketing practices and technologies that are used to promote them. It has also increased Congressional interest in those matters.

The Task Force on Financial Technology of the House Financial Services Committee is examining the risks and benefits associated with BNPL products in general. During a hearing

⁴ Credova, *Find a Store*, (Jul.27, 2022) (online at <https://credova.com/seeallstores>)

⁵ Spikes Tactical, *Financing Available* (Jul.27, 2022) (online at <https://www.spikestactical.com/financing-available/>); Maxim Defense, *Financing* (Jul.27, 2022) (online at <https://www.maximdefense.com/financing/>); Grab-A-Gun, *Shoot-Now-Pay-Later* (Jul.27, 2022) (online at <https://grabagun.com/shoot-now-pay-later>); Primary Arms, *Credova Financing* (Jul.27, 2022) (online at <https://www.primaryarms.com/credova-financing>)

⁶ Grab-A-Gun, *Shoot-Now-Pay-Later* (Jul.27, 2022) (online at <https://grabagun.com/shoot-now-pay-later>)

⁷ Guns.com, *Gun Financing* (Jul.27, 2022) (online at <https://www.guns.com/financing>)

⁸ Daniel Defense, *Financing* (Jul.27, 2022) (online at <https://danieldefense.com/daniel-defense-financing>)

⁹ The Outdoor Wire, *Press Release: Credova Sponsoring Corporate Executive’s Luncheon at NRA Annual Meetings* (Apr. 25, 2019) (online at <https://www.theoutdoorwire.com/releases/ad86f802-ee5e-4de1-bd6f-ab18ffde1e72>).

¹⁰ Nation Rifle Association Institute for Legislative Action, *News: NRA-ILA Announces Partnership with 6 Companies for \$1 Million Match Campaign (Sep.1, 2020)* (online at <https://www.nraila.org/articles/20200901/nra-ila-announces-partnership-with-6-companies-for-1-million-match-campaign>)

¹¹ ‘Buy Now, Pay Later’ Becomes a New Way to Pay for Guns, *The New York Times* (Jun.24, 2022) (online at <https://www.nytimes.com/2022/06/24/business/buy-now-pay-later-guns.html>)

held on November 2, 2021, witnesses raised several key consumer protection concerns associated with BNPL products.¹² As discussed, BNPL products can lead consumers to buy products they could not normally afford or take on unsustainable levels of debt. BNPL is a popular feature amongst merchants because of increased sales. In fact, Credova states on its website that “merchants who use Credova see up to 51% increase in overall sales volume.” Additionally, BNPL companies have access to consumers’ purchase history and financial data, and it is unclear how that data is protected or exploited. BNPL companies have faced criticism from consumer advocates because the companies often feed misperceptions that BNPL can build credit, when in practice it is much more likely that BNPL will harm a consumer’s credit score. Lastly, consumer advocates suspect BNPL companies offer “pay in 4” installment products in an attempt to skirt the Truth in Lending Act (TILA), which requires lenders that offer credit products with *more* than 4 installments to provide consumers with certain disclosures, along with other protections.

On July 19, 2022, the House Financial Services Committee’s Subcommittee on Oversight and Investigations held a hearing to examine the impact of mass shootings on the stability of local economies. The hearing focused on the harmful effects of mass shootings on the businesses, employment, and housing values in affected areas. The hearing memo also drew attention to Credova’s BNPL practices. We are concerned that the ease with which buyers can acquire guns through BNPL will result in more guns and increased gun violence in our nation’s communities.

The Joint Economic Committee also held a recent hearing exploring the economic toll of gun violence.¹³ During the July 20th hearing, witnesses highlighted how gun violence costs the U.S. economy \$557 billion per year in greater health care costs, lost economic activity, higher criminal justice spending and reduced quality-of-life.¹⁴ At the same time, other witnesses explained how firearm companies have sold a record number of guns by pushing tactical gear and weapons of war that they market based on fear and racism, while enjoying protection from any civil liability.¹⁵ The JEC also explored these two larger trends in two recent issue briefs highlighting the costs of gun violence and the industry’s role in pushing dangerous weapons.¹⁶

¹² U.S. House Committee on Financial Services, Hearing: Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products (Nov. 2, 2021) (online at <https://financialservices.house.gov/events/eventsingle.aspx?EventID=408594>)

¹³ Joint Economic Committee, Hearing: The Economic Toll of Gun Violence: How Our Nation Bears the Costs (Jul. 20, 2022) (online at <https://www.jec.senate.gov/public/index.cfm/hearings-calendar?ID=8A4CC94E-1968-40F5-95BF-A1829A1875A8>)

¹⁴ Joint Economic Committee, Testimony of Ms. Sarah Burd-Sharps, The Economic Toll of Gun Violence: How Our Nation Bears the Costs (Jul. 20, 2022) (online at https://www.jec.senate.gov/public/_cache/files/66cc62a7-5526-4c3d-aea7-1c79c4733b3f/sbs-writtentestimony-cost-gv-jec-2022-07.pdf)

¹⁵ Joint Economic Committee, Testimony of Mr. Ryan Busse, The Economic Toll of Gun Violence: How Our Nation Bears the Costs (Jul. 20, 2022) (online at https://www.jec.senate.gov/public/_cache/files/d53cb542-bf40-457b-a2a3-c082895ce3c8/testimony-of-ryan-busse-for-the-joint-economic-committee-7-20-22.pdf)

¹⁶ *Gun Companies are Making Millions at the Expense of American Lives*, Joint Economic Committee Majority Staff (Jul. 25, 2022) (online at <https://www.jec.senate.gov/public/index.cfm/democrats/issue-briefs?ID=A7990C92-F29C-4BB8-8789-A5CEA7FAA74D>); *The Economic Toll of Gun Violence*, Joint Economic Committee Majority Staff (Jul. 15, 2022) (<https://www.jec.senate.gov/public/index.cfm/democrats/issue-briefs?ID=649F2D8D-7AAE-4C7E-BC37-E9F2323213CC>)

To further inform Congress about these matters, please provide written responses to the following questions by September 26, 2022:

1. What safeguards does Credova have in place to ensure that customers who are prohibited from possessing firearms or who have a potential for criminal activity are not using Credova's services to purchase firearms? If Credova does not currently have any policies in place for this, please explain why or indicate Credova's plans for doing so.
2. What information does Credova have on whether customers who have purchased guns using Credova's financing commit unlawful acts of violence?
3. How is Credova ensuring that purchases of firearms meet state mandated firearm purchase requirements? How is Credova verifying that information with customers' confirmed place of residence?
4. How is Credova working to ensure that financing for firearms is not used for the purpose of trafficking firearms between states?
5. How is Credova working to ensure that financing for firearms is not used for the purpose of reselling firearms?
6. Is Credova aware of whether Credova's financing was used to acquire firearms used during recent high profile mass shootings in the commission of violent crimes, including mass shootings such as the Uvalde, TX shooting and Highland Park, IL shooting?
7. How does Credova make use of credit reporting when making BNPL or loan decisioning? Does Credova report payments to credit reporting agencies, whether to the main credit bureaus or to specialty agencies or for specialty reports?
8. What is the average credit score and age of customers who use Credova for firearms financing?
9. What types of disclosure does Credova provide consumers that utilize its BNPL financing option? Do these disclosures comply with TILA?
10. What does Credova do to ensure that consumers can afford to make the payments while handling other expenses without reborrowing?
11. What consequences do consumers face in the event they are unable to make payments? What late fees does Credova charge?
12. What percentage of Credova's customers default on their payments?
13. Does Credova engage in debt collection and/or sell charged off debt to third parties?

14. Has Credova received complaints from consumers or parents as to whether BNPL makes it too easy to purchase a weapon, and whether it has adverse consequences for purchases? If so, how many?
15. Given the current economic climate (rising interest rates and potentially higher levels of consumer delinquency and default), has Credova experienced or expect to experience any stress in its funding model? How does Credova plan to deal with funding or repayment challenges should they arise?

If you have any questions regarding this request, please contact staff at (202) 225-8273.

Sincerely,



Stephen F. Lynch
Member of Congress



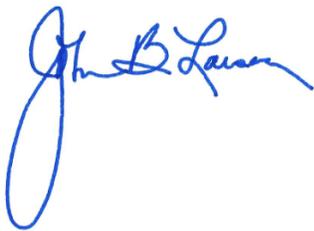
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Member of Congress



Carolyn B. Maloney
Member of Congress



Al Green
Member of Congress



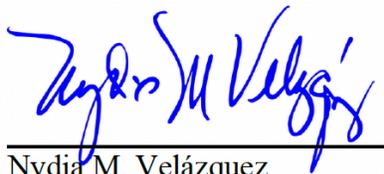
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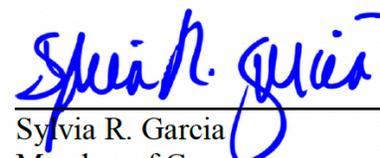
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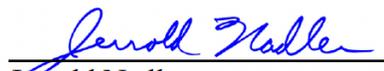
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